
1 | Introduction

We have been asked to render our opinion as to certain legal matters relating to the integration of the derivatives markets of the Osaka Securities Exchange Co., Ltd. (the “OSE”) and the Tokyo Stock Exchange, Inc. (the “TSE”) and, more specifically, to provide our opinion on the question raised in paragraph 4. Capitalised terms used herein without definitions are used as defined in the 2002 ISDA Equity Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. (the “Equity Derivatives Definitions”).

2 | Scope of Inquiry

For such purpose, we have examined, inter alia, the Business Regulations (gyoumu kitei) published by the OSE (the “Regulations”).

3 | Assumptions

For the purpose of this opinion, we have made the following assumptions:

3.1 | The OSE operates a derivatives market with the licence of a financial exchange market (kin’yuu shouhin shijou) granted pursuant to the provisions of the Financial Instruments and Exchange Act (kin’yuu shouhin torihiki hou) (the “FIEA”);

3.2 | The TSE operates a derivatives market with the licence of a financial exchange market granted pursuant to the provisions of the FIEA; and

3.3 | The aforementioned derivatives markets, which are operated by the OSE and the TSE, are expected to integrate on 24 March 2014 (the “Effective Date”) and only the OSE will operate a derivatives market after the Effective Date (the “Integration”).
4 Question

Following the Integration, can the OSE be recognised as the successor of the TSE for the purpose of Section 1.26 of the Equity Derivatives Definitions?

5 Conclusion

Based on the documents and assumptions noted in paragraphs 2 and 3, we are of the opinion that the OSE can be recognised as the successor of the TSE for the purpose of Section 1.26 of the Equity Derivatives Definitions following the Integration.

6 Reasoning

Whilst there is no clear definition of a “successor” in the Equity Derivatives Definitions, the term “Related Exchange” therein is defined (in respect of an Index relating to an Index Transaction or Index Basket Transaction or a Share relating to a Share Transaction or Share Basket Transaction) as an exchange or quotation system specified as such for such Index or Share in the related Confirmation. The term Related Exchange is used, for example, in Sections 1.29 and 6.3(c) of the Equity Derivatives Definitions to determine the Exchange Business Day and Exchange Disruption, respectively, and the application or non-application of (i) sections which use the term Related Exchange and (ii) related sections of the Equity Derivatives Definitions are determined in respect of such exchange or quotation system specified as Related Exchange in the related Confirmations. Therefore, a successor to the Related Exchange is required to be such exchange or quotation system that, in respect of the Index relating to the Index Transactions or the Index Basket Transactions or the Shares relating to the Share Transactions or the Share Basket Transactions, the application or non-application of sections which use the term Related Exchange and related sections of the Equity Derivatives Definitions shall be determined.

Following the Integration, basically, the OSE will add those types of market derivatives transactions which have been traded on the TSE’s derivatives market (excluding S&P/TOPIX150, TOPIX Electric Appliances Index, TOPIX Transportation Equipment Index, S&P/TOPIX150 options and options on 5-year Japanese Government Bonds (JGB) futures, the “TSE Market Derivatives Transactions”) to market derivatives transactions traded on its derivatives market. After the Effective Date, there will be no derivatives market at the TSE. Accordingly, the TSE Market Derivatives Transactions will be subject to the OSE’s rules and regulations including the Regulations after the Integration. As such, in respect of those Index Transactions, Index Basket Transactions, Share Transactions and Share Basket Transactions where the TSE is specified as the Related Exchange, the application or non-application of those sections of the Equity Derivatives Definitions which use the term Related Exchange and related sections of the Equity Derivatives Definitions will have to be determined in respect of the OSE after the Integration.

Thus, for the purpose of Section 1.26 of the Equity Derivatives Definitions, we do not see any reason why the OSE cannot be recognised as the successor of the TSE following the Integration.

---

1 These types of the market derivatives transactions will be abolished upon the Integration.
7 Addressees

7.1 This memorandum is given solely for the purpose of the interpretation of Section 1.26 of the Equity Derivatives Definitions and may only be relied upon by the addressees to this memorandum.

7.2 A copy of this memorandum may be provided for the purpose of information only to ISDA members, your professional advisers, auditors and regulators (including the competent banking supervisors), but only on the basis that it will not be relied upon by any such person and no such person may provide a copy of this memorandum to any other person.

7.3 Except as provided in paragraphs 7.1 and 7.2 above or where required by any relevant law or regulation, this memorandum is not to be transmitted to anyone nor is it to be relied upon by anyone or for any other purpose or quoted or referred to in any public document or filed with anyone without our prior written consent. We accept no responsibility or legal liability to any person other than the parties referred to in paragraph 7.1 above in relation to the contents of this memorandum.

- End -